

Your Rights as a Building Society Member

As a member of a building society you are more than just a customer; unlike a depositor with, or borrower from, a bank you have certain rights to receive information and to voice your opinions on the way your building society is run. This factsheet is designed to explain what members' rights are and how to exercise them.

What is a building society?

A building society is a financial institution that offers savings accounts and mortgages as its main business. In recent years a number of building societies have diversified and now offer a wide range of personal financial services including current accounts, credit cards and insurance.

A building society is a mutual institution. This means that most people who have a savings account, or mortgage, are members and have certain rights to vote and receive information, as well as to attend and speak at meetings. Each member has one vote, regardless of how much money they have invested or borrowed or how many accounts they may have.

Building societies are run in the interests of their members – the savers and borrowers – and are not listed on the stock market or owned externally. All UK building societies are mutual.

What rights do members have?

Members have a range of rights and the most important of these are explained below.

What is an Annual General Meeting?

As a member you are entitled to receive notice of, take part in and vote at, the society's Annual General Meeting (AGM). The AGM must be held within four months of the end of the society's financial year. The majority of societies have a financial year ending in December, and usually hold their AGMs in the following April.

The AGM is held to present the annual accounts and directors' report, to consider the auditors report on the accounts, to appoint the auditors and to elect the

directors. All societies now also hold an advisory vote on the directors' remuneration report (which gives details of how much directors earn and how their remuneration is determined) at the AGM, although this is not required by law. Any changes of the society's memorandum or rules (the memorandum describes those activities that the society can undertake and the rules govern its relationship with its members) would also be considered at an AGM. During the AGM, members are able to ask questions of the board and make comments on the society's business.

Prior to an AGM being held, members have the right to ask for the agenda to include a resolution to be discussed and voted on at the meeting. The member must be qualified under the society's rules to put forward a resolution, and have enough support for the resolution from other members. Any resolution must be submitted to the society before the end of the financial year for discussion at the following AGM. In some circumstances the board is able to reject a resolution, for example, if it is frivolous or senseless.

Occasionally, a society will organise a Special General Meeting (SGM) to discuss a specific topic; for example, a proposal to merge with another building society, or to transfer the society's business to a company, would sometimes be voted upon at a SGM and sometimes at an AGM. Only the board can put forward a binding resolution to transfer the society's business to a company.

Members themselves have the right to ask for the society to organise a SGM in order to put forward a valid resolution. A request to the board to hold such a meeting usually requires the backing of 500 or more members, who have been members for two years or more. Dependent on each society's rules, each of the members requesting the meeting may also be required to pay a deposit of £25. Again, in some circumstances the board may reject the request. In certain limited, and highly unusual, circumstances members can apply to the Financial Conduct Authority or Prudential Regulation Authority (the bodies that regulate building societies) to call a SGM on their behalf.

Who can vote at an AGM?

Building societies operate on the principle of 'one member, one vote'. This means that members have one vote each, regardless of the size of their savings account or mortgage loan, subject to there being a minimum savings balance or mortgage debt in the account of £100, being over the age of 18, and being a member throughout the period between the end of the financial year and at the date of the AGM. If you are both a saver and a borrower with a society, you will still normally have just one vote (except when asked to vote on a conversion or merger, when two separate votes are given).

If you are unable to attend an AGM or SGM (or do not wish to attend) you can appoint a proxy to attend and vote on your behalf; your society will probably send

you a proxy form on which to indicate your wishes and how your vote can be used. Most members choose the chairman to be their proxy, although a member can appoint someone else to be their proxy. This person does not have to be a member.

Members can also use a postal vote and some societies offer online voting facilities.

How are the directors elected?

At an AGM, members elect the directors of the society. Typically, a society will have a board of between seven and fifteen directors and all directors must themselves be investing members of the society.

The board of directors takes the major decisions in the running of the society, such as deciding on the overall levels of interest rates, the products and services to be offered and the business strategy as a whole. Directors usually serve terms of three years, after which they may then stand for re-election. Your society will let you know when directors' terms are due to end. Executive directors work full time for the society and have day-to-day responsibility for running the business, including the appointment of senior managers. Non-executive directors approve strategy, monitor the business performance and appoint the chief executive.

Members have the right to nominate candidates and stand for election as directors themselves. However, directors' responsibilities are onerous and complex; a range of skills are necessary to carry out the duties involved, and make decisions that take account of all the investing and borrowing members, many of who will have entrusted the most important financial matters of their lives to the society. A society will provide details of the duties of directors and the nomination and election procedures to any member, on request. A director must be approved by the Financial Conduct Authority or Prudential Regulation Authority and will be subject to certain standards set by that body.

Bearing these responsibilities in mind, you would therefore need to consider carefully whether you have the appropriate skills before deciding to stand for election to the board. Similar consideration should be given before nominating a candidate. If you stand for election you have the right to ask the society to circulate an election address to the members of the society along with details of the other directors standing for election.

What information is sent to members?

Members are entitled to receive a range of information, including:

- a copy of the society's rules and memorandum (on request)
- a copy of the annual summary financial statement on the society's business (which is sent to members before the AGM)
- a copy of the detailed annual report and accounts (on request)
- notice of the AGM

Societies must also provide a range of financial and business information before asking members to vote on a merger proposal or on a proposal to transfer the society's business to a company.

Do all members have rights?

Most people taking out a mortgage or opening a savings account with a building society become members and therefore have the rights mentioned above. However, some building society investors have deposit accounts, although this is increasingly rare. Depositors are not members and have no member rights. Also, customers of a subsidiary of a building society are not members of the society. Your society will be able to tell you which type of account you hold.

Also, saving members with less than £100 in their account, borrowing members with a mortgage of less than £100, and members under the age of 18 have restricted rights, allowing them only to receive information on request. They cannot vote, nominate directors or speak at AGMs, for example.

What happens with a joint account?

In many cases, savers and borrowers have joint accounts; for instance a husband and wife may hold one account between them. In such cases, only the first-named account holder is entitled to all of the members' rights described above; the second, or subsequent, named are entitled to fewer rights – mainly regarding obtaining information. It is therefore important that careful consideration is given to the order of names on a joint account.

Where can I get further information?

This factsheet is only a summary of members' rights, as provided for in the relevant legislation and societies' rules. Each society's rules are slightly different. Your society's rules may not be consistent in every aspect with what is written in this factsheet. If you have any further queries about your rights as a member, please contact your building society directly.